



APPENDIX A

# Exeter City Council

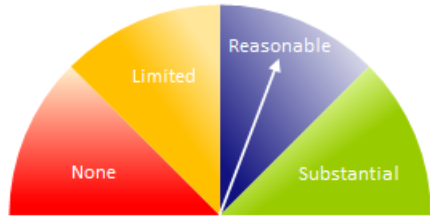
## Internal Audit Annual Opinion Report 2023/24

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

# Internal Audit Annual Opinion – 2023/24: ‘At a Glance’

## Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

## The Headlines

	<b>No Significant Risk identified in year after testing the controls in place.</b>
	<b>24 reports issued with a Substantial or Satisfactory assurance rating.</b> Medium risk rated weaknesses identified in individual audit engagements. Isolated high risk related weaknesses identified for isolated issues. No critical risk rated weaknesses identified.
	<b>The 2023/24 Internal Audit Plan is substantially complete.</b> Includes assurance, advisory, grant certification and follow up reviews.
	<b>Implementation of agreed actions from follow up work.</b> Agreed actions have been implemented within a reasonable time. A new, actions tracking dashboard facility, will be available from SWAP which will assist with action tracking going forward.

\*Final reports only

## Internal Audit Assurance Opinions

	22/23	23/24*
Substantial	9	9
Satisfactory	13	15
Limited	4	4
No Assurance		
Advisory	1	4
Certified	1	2
Follow Up	5	5
<b>Total</b>	<b>28</b>	<b>39</b>



**SWAP**  
INTERNAL AUDIT SERVICES  
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

## Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



### Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
  - the effectiveness of risk management processes; and
  - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

# Executive Summary Cont'd

## Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

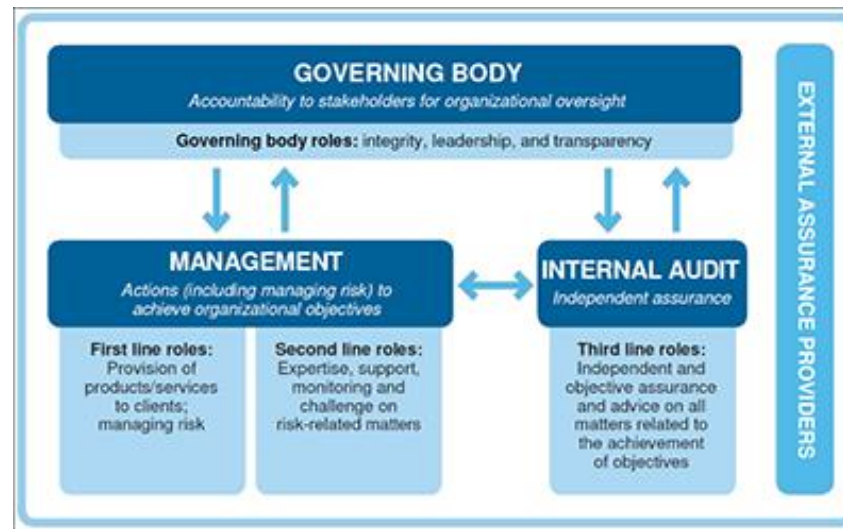


## Background

The Internal Audit service for Exeter City Council has been provided in-house up until the end of the 2023/24 year. Since 1<sup>st</sup> April 2024, Exeter joined SWAP Internal Audit Services and now provide the Internal Audit service for Exeter. The team's work has been completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team has been guided by the Exeter's Internal Audit Charter which was last approved in July 2023.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2023/24 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



## Internal Audit Annual Opinion 2023/24

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



### Annual Opinion

On the balance of the work of the Exeter Internal Audit team for 2023/24, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Internal Audit has not reviewed all risks and assurances relating to Exeter City Council during 2023/24 and cannot provide absolute assurance on the internal control environment. Senior management and members are ultimately responsible for ensuring an effective system of internal control. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 5. Audit coverage is considered adequate to provide an overall opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties, regulator reports etc.

Over the year, the Internal Audit Team have found senior management of Exeter City Council to be supportive of Internal Audit with a good relationship with management whereby they approach Internal Audit when they perceive potential problems for advice and guidance. There were no instances where remedial action was not agreed by management. Senior Management were supportive and engaged in the annual audit planning process.

## Annual Internal Audit Opinion 2023/24

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



### Annual Opinion Continued

During the 2023/24 year Internal Audit have assisted with the implementation and roll out of the Metacompliance system. This policy management software system allows the Council to publicise and share Corporate policies with employees. The system requires employees to sign up to mandatory policies and will be a significant improvement for the Council in the application of its Corporate policies.

#### Key Themes and Issues - Internal Control Framework

**Financial position** - Significant inflation fuelled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget set meant that the Council had to take action to address significant issues during the previous year. The unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24.

The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions of £5.4m, of which proposals of only £1.5m have been identified.

**Staffing restructure** - The Council is undergoing a senior management and staffing restructure with a review of roles and responsibilities at service level. This can create some uncertainty in the operation of the control framework both during the period of change and afterwards as new staff settle into their new roles. It is important that this is recognised and managed. These key issues are reported within the Annual Governance Statement, along with a summary of the action to be taken. Progress will be subject to regular monitoring by this Committee.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic and operational risks where possible. A summary of audit work carried out against the Council's risks are summarised in table 1 below. It must be noted that it is not possible to cover all key risks in any one year but to provide coverage over the medium term. The scope of our work does not extend to covering ICT services under Strata and therefore ICT services and risks are outside the scope of our opinion. Exeter's Internal Audit obtains general assurance from Strata's Internal Auditor's (DAP) by reviewing their annual report, however, to date we have not been provided with a copy of their 2022/23 annual report and are unable to gain any assurance from their work.

## Summary of Audit Outcomes

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



### Audit Coverage by Strategic Risk

The Exeter City Council Corporate Risk Register is a live document and subject to change throughout the year as the risk environment that ECC operates in changes. Therefore, this table reflects a summary of coverage against shifting priorities throughout the year in terms of corporate and operational risks.

**Table 1: Audit Coverage by Strategic Risk**

Table Key	Reasonable internal audit coverage 2023-24	Partial internal audit coverage 2023-24	No internal audit coverage 2023-24
Strategic Risk	Coverage 2023-24	Planned 2024-25	
<i>Priority - Net Zero Carbon City</i> Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan		Y	
<i>Priority - Healthy and Active City</i> Making progress towards Healthy and Active City	2022-23		
<i>Priority - Leading a Well-run Council</i> Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)		Y	
<i>Priority - Leading a Well-run Council</i> Maintaining the financial stability of the Council		Y	
<i>Priority - Leading a Well-run Council</i> Maintaining the Council's Property and Infrastructure Assets		Y	
<i>Priority - Housing and Building Great Neighbourhoods</i> Delivering Housing and Building Great Neighbourhoods and communities		Y	
<i>Priority - Thriving Culture and Heritage</i> Maintaining a thriving Culture and Heritage Sector		Y	
<i>Priority - Prosperous Local Economy</i> Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan			
<i>Priority - Leading a Well-run Council</i> Progressing the design and delivery of the corporate Customer and Digital Strategy			

# Summary of Audit Outcomes

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** - There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met
- **Satisfactory** - Whilst there is a basically sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk
- **Limited** - Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
- **None** - Control is generally weak leaving the system open to error or abuse or significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.



## Summary of Audit Opinion

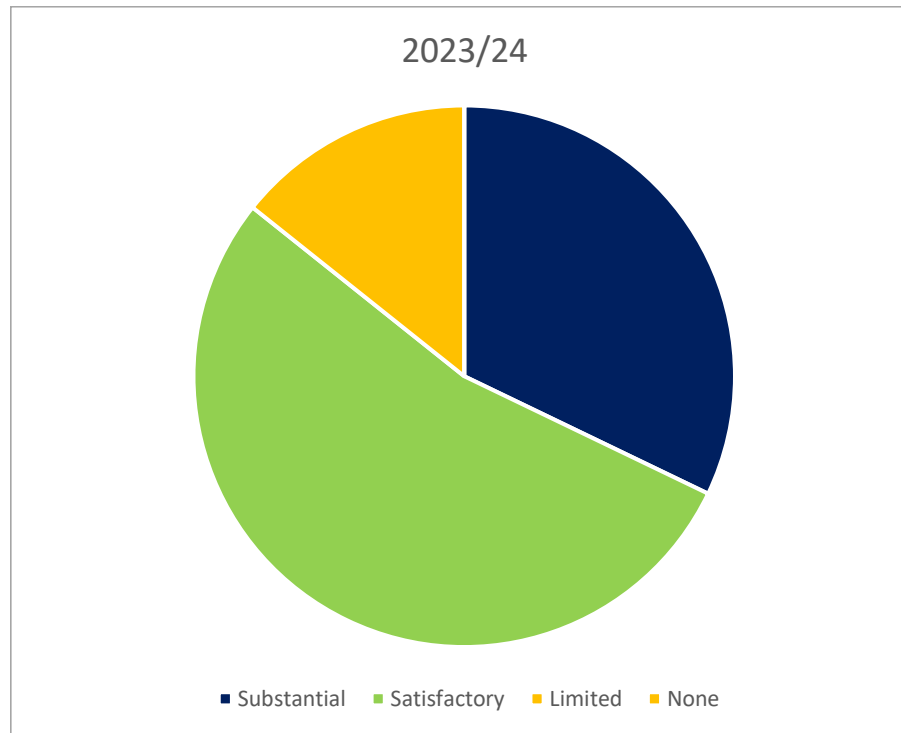


Figure 1 provides a breakdown of the audit work by opinions across the year.



## Plan Performance 2023/24

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



### ECC Performance

Exeter City Council's Internal Audit performance is subject to regular monitoring and review by the Audit and Governance Committee. The respective outturn performance results for the ECC Audit team conducting audits for the 2023/24 year are as follows:

Performance Target – as set for ECC 23/24	Performance
Percentage of Audit plan completed	95%
Draft report produced within 10 days of completion of field work	88%
Final reports produced within 10 days of discussion with manager	94%
Number of Internal Audit process improvements during the year: New report Executive Summary format Use of Kanban for audit monitoring Carbon Literacy Training leading to audit feedback to Net Zero Team	3

Exeter City Council's Internal Audit work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. Exeter City Council's In-house Internal Audit Service was assessed in January 2020 and confirmed in conformance to PSIAS.

## Summary of Internal Audit Work 2023/24

### SWAP Quality Assurance

#### SWAP Quality Assurance

As Exeter has now joined SWAP our quality assurance processes will be followed.

SWAP was assessed in February 2020 and this confirmed that we are in conformance to PSIAS. We are preparing for an external assessment in 2024.

From 2025 new updated global internal audit standards will be introduced that we will need to comply with. We have already started work on preparing for this change and are aiming to be one of the first organisations in the UK to achieve compliance with the new standards.

## Summary of Internal Audit Work 2023/24

Please note that only the executive summary of each report is attached as an appendix to this report, as to include all actions agreed from each audit report in detail would result in a lengthy document. Members may request a full copy of any report once finalised or alternatively meet with the Principal Auditor to discuss specific audits further.

Audit Review	Report Status	Overall Opinion	No. of Findings	Executive Summary of final report issued during this quarter
Health and Safety - Training	Draft			
Corporate Governance	Draft			
Risk Management	Support throughout the year	N/A		Assistance with setting up Service risk registers. Support with Zurich Training.
Information Governance	Deferred	N/A		Red Quadrant commissioned to carry out review of Council information Governance – duplication of work.
Counter Fraud	Final	Satisfactory	2 Medium 7 Low	See Appendix B
Partnerships	Final	Satisfactory	5 Medium 1 Low	See Appendix C
Contract Management	Final	Satisfactory	1 Medium 3 Low	See Appendix D
Community Grants Awarded	Final	Satisfactory	5 Medium 7 Low	Reported September 2023
External Funding / Grants Received	Completed			Review and sign off of RAMM external funding

## Summary of Internal Audit Work 2023/24

Audit Review	Report Status	Overall Opinion	No. of Findings	Executive Summary of final report issued during this quarter
ICT - Cyber Security	Report opinion provided by Strata Auditors - DAP	Reasonable		
Main Accounting	Final	Substantial	<b>2 Medium</b> <b>1 Low</b>	See Appendix E
Income Management	Final	Administration = Satisfactory  Data checks = Limited	<b>7 Medium</b> <b>7 Low</b>	See Appendix F
Creditors				
<ul style="list-style-type: none"> <li>Creditors – Corporate credit card</li> </ul>	Final	Limited	5 Medium	Reported December 2023
<ul style="list-style-type: none"> <li>Amendments to supplier bank details</li> </ul>	Final	Satisfactory	1 Medium 2 Low	See Appendix G
Treasury Management	Final	Substantial	2 Low	Reported December 2023
VAT	Final	Finance = satisfactory  Service areas = Limited	2 Medium	See Appendix H
Payments and collection	Final	Satisfactory	3 Medium 2 Low	Reported December 2023
Sundry Debtors	In progress			
NDR	Final	Substantial	2 Medium 2 Low	Reported December 2023
People Management (including Payroll)	Final	Substantial Satisfactory	14 Medium 3 Low	Reported March 2024

## Summary of Internal Audit Work 2023/24

Audit Review	Report Status	Overall Opinion	No. of Findings	Executive Summary of final report issued during this quarter
Licensing – Taxi Licencing	Final	Limited	1 High 3 Medium 9 Low	See Appendix I
Fleet Management	Final	Satisfactory	4 Medium 3 Low	See Appendix J
Car Parks – Stray dogs	Final	Satisfactory	3 Medium 6 Low	Reported September 2023
Net Zero/Carbon Reduction	Final	Satisfactory	4 Medium 10 Low	Reported March 2024
Housing – customers, assets, needs				
<ul style="list-style-type: none"> <li>Housing – Laundry cash at Edwards Court</li> </ul>	Final	Substantial	2 Low	Reported September 2023
Planning	Final	Satisfactory	5 Medium 8 Low	Reported March 2024
Leisure Facilities - Spa	Final	Satisfactory	6 Medium 1 Low	Reported December 2023
Leisure Facilities – Food & Beverages	Final	Satisfactory	4 Medium 1 Low	Reported March 2024
Visit Exeter (audit 1)	Final	Substantial	2 Low	Reported March 2024
Visit Exeter (audit 2) Post implementation	Final	Substantial	1 Low	See Appendix K
Disabled Facilities Grant	Final	Substantial	1 Low	Reported December 2023
Business Continuity Management – 2022-23	Final	Satisfactory	10 Medium	Reported December 2023